



N2N CONNECT BERHAD 200001020530 (523137-K)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2023**

N2N CONNECT BERHAD 200001020530 (523137-K)

(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION**FOR THE QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2023**

Remark:

The results for the quarter ended 31 December 2023 should be read in conjunction with the Annual Audited Financial Statements of N2N Connect Berhad and its subsidiaries ("Group") for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

	Quarter Ended		Year-To-Date Ended	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
1 Revenue	27,708	24,585	105,241	103,010
2 Profit before taxation	5,945	8,542	19,326	21,666
3 Profit for the period	1,828	8,301	13,732	18,732
4 Profit attributable to owners of the Company	1,921	6,536	14,057	17,628
5 Basic earnings per share (sen)	0.34	1.17	2.52	3.16
6 Diluted earnings per share (sen)	0.34	1.17	2.52	3.16
7 Proposed/Declared dividend per share (sen)	-	1.00	2.00	2.00

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2023**

	Quarter Ended			Year-To-Date Ended		
	31 Dec 2023	31 Dec 2022	Changes	31 Dec 2023	31 Dec 2022	Changes
	Note RM'000 (UNAUDITED)	RM'000 (AUDITED)	%	RM'000 (UNAUDITED)	RM'000 (AUDITED)	%
Revenue						
	27,708	24,585	13%	105,241	103,010	2%
Cost of sales	(12,478)	(11,784)	6%	(47,294)	(46,718)	1%
Gross profit	15,230	12,801	19%	57,947	56,292	3%
Other operating income	1,416	589	140%	6,273	4,563	37%
Administrative expenses	(12,350)	(11,600)	6%	(46,158)	(44,064)	5%
Finance costs	(32)	(6)	433%	(74)	(65)	14%
Share of results of an associate	1,681	6,758	-75%	1,338	4,940	-73%
Profit before taxation	5,945	8,542	-30%	19,326	21,666	-11%
Taxation	B6 (4,117)	(241)	1608%	(5,594)	(2,934)	91%
Profit for the period	1,828	8,301	-78%	13,732	18,732	-27%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
- Exchange differences arising from translation of foreign operations	(1,192)	(4,380)		5,082	3,489	
- Derivative from associate	258	-		258	-	
- Remeasurement for long service payments, net of tax	439	962		439	962	
Total comprehensive income for the period	1,333	4,883		19,511	23,183	
Profit for the period attributable to:						
- Owners of the Company	1,921	6,536		14,057	17,628	
- Non-controlling interests	(93)	1,765		(325)	1,104	
	1,828	8,301		13,732	18,732	
Total comprehensive income for the period:						
- Owners of the Company	1,426	3,118		19,836	22,079	
- Non-controlling interests	(93)	1,765		(325)	1,104	
	1,333	4,883		19,511	23,183	
Earnings per share ("EPS") attributable to owners of the Company:						
- Basic EPS (sen)	B11 0.34	1.17		2.52	3.16	
- Diluted EPS (sen)	B11 0.34	1.17		2.52	3.16	

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

	As at 31 Dec 2023	As at 31 Dec 2022
Note	RM'000 (UNAUDITED)	RM'000 (AUDITED)
ASSETS		
Non-current assets		
Property, plant and equipment	30,004	31,400
Investment properties	9,026	9,260
Right-of-use assets	3,369	626
Intangible assets	82,059	80,846
Investment in an associate	13,054	10,826
	<u>137,512</u>	<u>132,959</u>
Current assets		
Trade receivables	13,104	11,107
Other receivables	9,682	5,568
Amount owing by related companies	496	353
Tax recoverable	8,466	7,988
Marketable securities	61,389	59,371
Financial assets at fair value through profit or loss	109	145
Cash and bank balances	93,389	90,248
	<u>186,635</u>	<u>174,780</u>
TOTAL ASSETS	<u>324,147</u>	<u>307,739</u>
EQUITY AND LIABILITIES		
Total equity		
Share capital	243,669	243,669
Exchange reserve	2,194	(2,888)
Fair value reserve	258	-
Long term incentive plan ("LTIP") reserve	2,394	2,034
Retained profits	45,249	41,917
Equity attributable to owners of the Company	<u>293,764</u>	<u>284,732</u>
Non-controlling interests	(1,033)	(1,039)
	<u>292,731</u>	<u>283,693</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

		As at 31 Dec 2023	As at 31 Dec 2022
	Note	RM'000 (UNAUDITED)	RM'000 (AUDITED)
Non-current liabilities			
Lease liabilities		2,244	-
Provision for retirement benefits	A14	1,356	1,556
Deferred tax liabilities		5,483	1,603
		<u>9,083</u>	<u>3,159</u>
Current liabilities			
Trade payables		4,276	3,305
Other payables	A12	15,550	15,793
Amount owing to related companies		480	60
Lease liabilities		1,552	695
Provision for taxation		475	1,034
		<u>22,333</u>	<u>20,887</u>
Total liabilities		<u>31,416</u>	<u>24,046</u>
TOTAL EQUITY AND LIABILITIES		<u>324,147</u>	<u>307,739</u>
Net assets per share attributable to owners of the Company (sen) *		<u>53</u>	<u>51</u>

Note:

* Based on number of shares net of treasury shares ('000)

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2023**

Note	Attributable to owners of the Company						Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Non-distributable			Distributable					
	Share Capital RM'000	Treasury Shares RM'000	Exchange Reserve RM'000	LTIP Reserve RM'000	Fair value Reserve RM'000	Retained Profits RM'000			
At 1 January 2023	243,669	-	(2,888)	2,034	-	41,917	284,732	(1,039)	283,693
Profit for the period	-	-	-	-	-	14,057	14,057	(325)	13,732
Other comprehensive income	-	-	5,082	-	258	439	5,779	-	5,779
Total comprehensive income for the period	-	-	5,082	-	258	14,496	19,836	(325)	19,511
Dividend paid	(i)	-	-	-	-	(11,164)	(11,164)	-	(11,164)
LTIP granted	-	-	-	659	-	-	659	-	659
LTIP lapsed	-	-	-	(299)	-	-	(299)	-	(299)
Investment in a subsidiary	(ii)	-	-	-	-	-	-	331	331
At 31 December 2023	243,669	-	2,194	2,394	258	45,249	293,764	(1,033)	292,731
At 1 January 2022	260,987	(37,237)	(6,377)	1,530	-	48,648	267,551	(2,192)	265,359
Profit for the period	-	-	-	-	-	17,628	17,628	1,104	18,732
Other comprehensive income	-	-	3,489	-	-	962	4,451	-	4,451
Total comprehensive income for the period	-	-	3,489	-	-	18,590	22,079	1,104	23,183
Dividend paid	(iii)	-	-	-	-	(5,582)	(5,582)	-	(5,582)
LTIP granted	-	-	-	684	-	-	684	-	684
LTIP lapsed	-	-	-	(180)	-	180	-	-	-
Derecognition of a subsidiary	-	-	-	-	-	-	-	49	49
Cancellation of treasury shares	(17,318)	37,237	-	-	-	(19,919)	-	-	-
At 31 December 2022	243,669	-	(2,888)	2,034	-	41,917	284,732	(1,039)	283,693

Notes:

(i) The Company made the following dividend payments during the financial year ended 31 December 2023:

- (a) a Second Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2022 on 30 March 2023; and
- (b) a First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2023 on 29 September 2023.

(ii) During the financial year ended 31 December 2023, the Company has acquired a 60% stake in Ironhorse Asia Sdn Bhd.

(iii) The Company paid a First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2022 on 30 June 2022.

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR TO DATE ENDED 31 DECEMBER 2023**

	Year-To-Date Ended	
	31 Dec 2023	31 Dec 2022
	RM'000	RM'000
	(UNAUDITED)	(AUDITED)
Cash flows from operating activities		
Profit before taxation	19,326	21,666
Adjustments for:		
Amortisation of intangible assets	7,441	7,213
Bad debts written off	96	144
Depreciation of property, plant and equipment	4,076	3,987
Depreciation of investment properties	234	234
Depreciation of right-of-use assets	1,287	1,201
Fair value changes on financial assets at fair value through profit or loss	36	23
Gain on disposal of investment in subsidiary	-	(47)
Long term incentive plan expenses	360	684
Gain on disposal of property, plant and equipment	(45)	-
Impairment loss on goodwill	332	284
Provision for doubtful debts	124	1,503
Provision for long service payments	(260)	334
Reversal of impairment loss on trade receivables and contract assets	-	(255)
Share of results of an associate	(1,338)	(4,940)
Unrealised foreign exchange gain	(1,188)	(1,319)
Finance cost	74	65
Finance income	(1,272)	(368)
Dividend income	(2,004)	(1,237)
Operating profit before working capital changes	<u>27,279</u>	<u>29,172</u>
Changes in working capital		
Trade receivables	(2,488)	5,805
Other receivables	(4,114)	(999)
Trade payables	2,057	(632)
Other payables	(243)	3,593
Amount owing by/to related companies	277	(406)
Cash generated from operations	<u>22,768</u>	<u>36,533</u>
Dividend received	2,004	1,237
Interest paid	(74)	(65)
Interest received	1,272	368
Net tax paid	<u>(2,531)</u>	<u>(1,510)</u>
Net cash generated from operating activities	<u>23,439</u>	<u>36,563</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR TO DATE ENDED 31 DECEMBER 2023**

	Year-To-Date Ended	
	31 Dec 2023	31 Dec 2022
	RM'000	RM'000
	(UNAUDITED)	(AUDITED)
Cash flows from investing activities		
Computer software development cost	(6,463)	(5,557)
Purchase of property, plant and equipment	(2,579)	(3,422)
Net changes in marketable securities	(2,018)	5,253
Net cash used in investing activities	(11,060)	(3,726)
Cash flows from financing activities		
Dividend paid	(11,164)	(5,582)
Repayment of bank borrowings	-	(2,314)
Repayment of lease liabilities	(543)	(1,325)
Net cash used in financing activities	(11,707)	(9,221)
Net increase in cash and cash equivalents	672	23,616
Effect of exchange rate changes	2,469	2,753
Cash and cash equivalents at beginning of the period	90,248	63,879
Cash and cash equivalents at end of the period	93,389	90,248
Cash and cash equivalents at end of the period comprises:		
Cash and bank balances	93,389	90,248

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2023**

A NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A1 BASIS OF PREPARATION

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") No. 134: Interim Financial Reporting, and Part K Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The condensed consolidated interim financial statements should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 December 2022.

A2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those in the preparation of the Group's audited financial statements for the financial year ended 31 December 2022. As at the date of authorisation of these financial statements, the following Standards and amendments to standards have been issued by the Malaysian Accounting Standards Board ("MASB"):

Effective for annual periods beginning on or after 1 January 2023

MFRS 17, "Insurance Contracts"

Amendments to MFRS 17, "Insurance Contracts" (Initial application of MFRS 17 and MFRS 9 - Comparative Information)

Amendments to MFRS 101, "Presentation of Financial Statements" (Classification of Liabilities as Current or Non-current)

Amendments to MFRS 101, "Presentation of Financial Statements" (Disclosure of Accounting Policies)

Amendments to MFRS 108, "Accounting Policies, Changes in Accounting Estimates and Errors" (Definition of Accounting Estimates)

Amendments to MFRS 112, "Income Taxes" (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

Amendments to accounting standards that are applicable for the Group and the Company in the following periods but are not yet effective:

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 16, "Leases" (Lease Liability in a Sale and Leaseback)

Amendments to MFRS 101, "Presentation of Financial Statements" (Non-current Liabilities with Covenants)

Amendments to MFRS 107, "Statement of Cash Flows" and MFRS 7, "Financial Instruments: Disclosures" (Supplier Finance Arrangements)

Effective for annual periods beginning on or after 1 January 2025

Amendments to MFRS 121, "The Effect of Changes in Foreign Exchange Rates" (Lack of Exchangeability)

Effective date of these amendments to Standards has been deferred

Amendments to MFRS 10, "Consolidated Financial Statements" and MFRS 128, "Investments in Associates and Joint Ventures" (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have a material impact to the financial statements of the Group upon their initial recognition.

A3 AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There were no audit qualifications on the audited financial statements for the financial year ended 31 December 2022.

A4 SEASONAL OR CYCLICAL FACTORS

The Group's operations were not materially affected by seasonal or cyclical changes during the current period under review.

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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2023****A5 UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current period under review.

A6 MATERIAL CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in the current period under review.

A7 DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current period under review.

A8 DIVIDEND PAID

The Company made the following dividend payments during the financial year ended 31 December 2023:

(a) a Second Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2022 on 30 March 2023; and

(b) a First Interim Dividend of 1 sen per share (Single Tier Dividend) in respect of the financial year ended 31 December 2023 on 29 September 2023.

A9 SEGMENT INFORMATION

The reportable segments of the Group derive their revenue primarily from the provision of design, programming, consultancy services and related services which are substantially within a single business segment.

	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial period ended 31 December 2023					
<u>Revenue</u>					
Sales to external customers	45,185	52,301	7,766	(11)	105,241
Inter-segment sales	-	-	-	-	-
Total	<u>45,185</u>	<u>52,301</u>	<u>7,766</u>	<u>(11)</u>	<u>105,241</u>
<u>Results</u>					
EBITDA *	16,673	9,486	1,151	(30)	27,280
Amortisation of intangible assets	(7,216)	(3)	(222)	-	(7,441)
Bad debt written off	-	(96)	-	-	(96)
Depreciation of property, plant and equipment	(2,760)	(961)	(355)	-	(4,076)
Depreciation of investment properties	(234)	-	-	-	(234)
Depreciation of right-of-use assets	(11)	(1,276)	-	-	(1,287)
Dividend income	2,004	-	-	-	2,004
Finance income	529	690	53	-	1,272
Finance costs	(6)	(68)	-	-	(74)
Long term incentive plan	(310)	(50)	-	-	(360)
Reversal of provision for doubtful debts	(373)	(18)	(65)	-	(456)
Share of results of associate	-	-	1,338	-	1,338
Unrealised foreign exchange gain	493	-	665	30	1,188
Other non-cash items	8	260	-	-	268
Taxation	(4,256)	(1,013)	(325)	-	(5,594)
Segment profit for the period	<u>4,541</u>	<u>6,951</u>	<u>2,240</u>	<u>-</u>	<u>13,732</u>

* Earnings before interest, taxes, depreciation and amortisation (excluding other significant non-cash items).

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A9 SEGMENT INFORMATION (CON'T)

	Malaysia RM'000	Hong Kong RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial period ended 31 December 2022					
<u>Revenue</u>					
Sales to external customers	44,151	49,931	8,928	-	103,010
Inter-segment sales	-	-	22	(22)	-
Total	<u>44,151</u>	<u>49,931</u>	<u>8,950</u>	<u>(22)</u>	<u>103,010</u>
<u>Results</u>					
EBITDA *	18,750	10,219	(34)	-	28,935
Amortisation of intangible assets	(6,992)	-	(221)	-	(7,213)
Bad debt written off	(144)	-	-	-	(144)
Depreciation of property, plant and equipment	(2,630)	(955)	(402)	-	(3,987)
Depreciation of investment properties	(234)	-	-	-	(234)
Depreciation of right-of-use assets	-	(1,201)	-	-	(1,201)
Dividend income	1,237	-	-	-	1,237
Finance income	286	27	55	-	368
Finance costs	(29)	(36)	-	-	(65)
Long term incentive plan	(507)	(190)	13	-	(684)
Provision/(Reversal) for doubtful debts	(1,282)	34	-	-	(1,248)
Share of results of associate	-	-	4,940	-	4,940
Unrealised foreign exchange gain/(loss)	917	-	402	-	1,319
Other non-cash items	(24)	(333)	-	-	(357)
Taxation	(1,560)	(802)	(572)	-	(2,934)
Segment profit for the period	<u>7,788</u>	<u>6,763</u>	<u>4,181</u>	<u>-</u>	<u>18,732</u>

* Earnings before interest, taxes, depreciation and amortisation (excluding other significant non-cash items).

A10 PROVISION FOR DOUBTFUL DEBTS

The Group applies a simplified approach in calculating ECL (Expected Credit Losses). The Group has established a provision matrix that is based on its client's historical payment trend, adjusted for forward-looking factors specific to the debtors and the economic environment.

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A11 OTHER RECEIVABLES

	As At 31 Dec 2023 RM'000	As At 31 Dec 2022 RM'000
Prepayments	7,398	3,602
Deposits paid	2,226	1,945
Other receivables	58	21
	<u>9,682</u>	<u>5,568</u>

A12 OTHER PAYABLES

	As At 31 Dec 2023 RM'000	As At 31 Dec 2022 RM'000
Accruals	4,305	5,195
Deposit received	3,473	3,536
Other payables	7,772	7,062
	<u>15,550</u>	<u>15,793</u>

A13 FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table analyses the fair value hierarchy for financial instruments carried at fair value in the statement of financial position:

	As At 31 Dec 2023 Level 1 Fair Value RM'000	As At 31 Dec 2022 Level 1 Fair Value RM'000
Financial assets at fair value through profit or loss	<u>109</u>	<u>145</u>

A14 PROVISION FOR RETIREMENT BENEFITS

Provision for retirement benefits of the Group relate to long service payments ("LSP") provisions as prescribed under the Hong Kong Employment Ordinance and Labour Protection Act of Thailand. LSP is paid to employees of a subsidiary company upon termination of their employment, subject to completion of number of continuous year of service and meeting certain qualifying conditions. The benefit is based on final wages and service at leaving employment.

A15 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no changes in the valuation of the property, plant and equipment reported in the previous audited financial statements that will have an effect in the current period under review.

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A16 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There was no material event subsequent to the current financial period ended up to the date of the announcement of this report which is likely to substantially affect the results of the operations of the Group.

A17 CHANGES IN THE COMPOSITION OF THE GROUP

On 1 October 2023, the wholly-owned subsidiary NGN Connection Sdn Bhd ("NGN") has acquired a 60% stake in Ironhorse Asia Sdn Bhd and consolidated into the Group's results in accordance with MFRS 10. There is no material effect on Group's earnings, net assets or gearing for the financial year ended 31 December 2023.

A18 CONTINGENT LIABILITIES

The Directors are of the opinion that the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position and business of the Group as at 26 February 2024 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial results).

A19 CAPITAL COMMITMENTS

There were no material capital commitments in the current period under review.

A20 SIGNIFICANT RELATED PARTY TRANSACTIONS

There were no significant related party transactions in the current period under review.

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B ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 REVIEW OF PERFORMANCE

Performance of current quarter against the preceding year's corresponding quarter

	Quarter Ended	
	31 Dec 2023	31 Dec 2022
	RM'000	RM'000
Revenue	27,708	24,585
Profit after taxation	1,828	8,301
Core profit *	<u>4,332</u>	<u>7,365</u>

* Core profit represents the profits of N2N excluding unrealised gains/losses on foreign exchange and non-recurring gains or losses (which are not expected to recur).

The Group recorded a revenue of RM27.71 million for the quarter ended 31 December 2023 in comparison to the revenue of RM24.59 million in the preceding year's corresponding quarter. Higher one-time implementation revenue and transaction based revenue in the current quarter resulted in a comparatively higher revenue of 12.7%

The Group posted a profit after taxation of RM1.83 million for the current quarter which was 78.00% lower compared to a profit after taxation of RM8.30 million in the preceding year's corresponding quarter. The lower profit after taxation was mainly due to a lower gain on share of associate and a first time recognition on deferred tax liability resulted from one of the subsidiary approaching the end of the Multimedia Super Corridor ("MSC") Pioneer status

The Group's core profit was RM4.33 million for the current quarter compared to RM7.37 million in the corresponding quarter. The core profits was 41.18% lower mainly due to lower gain from share of associate. Further more, the one off recognition of deferred tax liability was added back in the core profit to soften the impact.

(b) Performance of the current financial period against the preceding year's corresponding period

	Year-To-Date Ended	
	31 Dec 2023	31 Dec 2022
	RM'000	RM'000
Revenue	105,241	103,010
Profit for the period	13,732	18,732
Core profit *	<u>12,226</u>	<u>15,297</u>

* Core profit represents the profits of N2N excluding unrealised gains/losses on foreign exchange and non-recurring gains or losses (which are not expected to recur).

The Group recorded a revenue of RM105.24 million for the period ended 31 December 2023 in comparison to revenue of RM103.01 million in the preceding year's corresponding period. The revenue increased by 2.17% mainly due to the comparatively higher one-time implementation.

The profit after taxation for the current period amounted to RM13.73 million was 26.69% lower than the profit after tax of RM18.73 million recorded in the corresponding period mainly due to lower gain on share of associate and a first time recognition on deferred tax liability resulted from one of the subsidiary approaching the end of the MSC Pioneer status

The Group recorded a core profit of RM12.23 million for the current period compared to RM15.30 million in the corresponding period. The core profit was 20.08% lower mainly due to lower gain on share of associate and a first time recognition on deferred tax liability resulted from one of the subsidiary approaching the end of the MSC Pioneer status

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B2 MATERIAL CHANGES IN THE CURRENT QUARTER RESULTS COMPARED WITH IMMEDIATE PRECEDING QUARTER

	Quarter Ended	
	31 Dec 2023	30 Sep 2023
	RM'000	RM'000
Revenue	27,708	27,117
Profit after taxation	1,828	5,587
Core profit *	4,332	4,529

* Core profit represents the profits of N2N excluding unrealised gains/losses on foreign exchange and non-recurring gains or losses (which are not expected to recur).

The Group recorded a slightly higher revenue of RM27.71 million for the quarter ended 31 December 2023 compared to the revenue of RM27.12 million in the immediate preceding quarter. The comparatively higher revenue of 2.18% was mainly due to the higher one-time implementation revenue for the current quarter.

The Group's profit after taxation of RM1.83 million for the current quarter was 67.28% lower compared to the profit after taxation of RM5.59 million in the immediate preceding quarter. This was mainly due to the first time recognition on deferred tax liabilities resulted from one of the subsidiary approaching the end of the MSC Pioneer status.

The Group's core profit of RM4.33 million for the current quarter was 4.35% lower than the core profit of RM4.53 million in the immediate preceding quarter. The lower core profit was mainly due to a lower gain from share of associate. On the other hand, the one off recognition of deferred tax liability was added back in the core profit to soften the impact.

B3 PROSPECTS

In the January 2024 Global Economic Prospects report issued by the World Bank, it had revised its projections of the gross domestic product growth from 2.1% in January 2024 to 2.4%. Nonetheless, it had reported that the global growth had slowed sharply compared to 3.1% in 2022. It further added that there was intensified risk of financial stress in emerging market and developing economies amidst tight global financial conditions.

Despite the challenges faced by the global economic front, Malaysia's economic growth continues to be projected to grow moderately between 4% to 5%. The World Bank maintained its forecast economic growth for Malaysia to 4.3% in 2024.

On the domestic front, the recent announcements on the National Energy Transition Roadmap and Ekonomi MADANI policy framework is expected to contribute a positive impact on the Malaysia securities market. The main stock market index in Malaysia (FKLCI) increased 101 points or 6.94% since the beginning of 2024, according to trading on a contract for difference (CFD) that tracks this benchmark index from Malaysia. Nonetheless, the Group recognizes that the trading activities in the Securities Market will be influenced by various ongoing local and global developments.

Taking these into consideration, the Group expects a slightly better performance for the financial year of 2024.

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B4 VARIATION OF ACTUAL PROFIT FROM FORECAST PROFIT

Not applicable as no profit forecast was published.

B5 ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

The following items have been charged/(credited) in arriving at the profit from operations:

	Quarter Ended		Year-To-Date Ended	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	(289)	(93)	(1,272)	(368)
(b) Dividend Income	(519)	(312)	(2,004)	(1,237)
(c) Interest expense	32	8	74	65
(d) Depreciation and amortisation	3,342	3,213	13,038	12,635
(e) Net foreign exchange (gain)/loss	(22)	(822)	(1,290)	(867)
(f) Fair value changes on financial assets at fair value through profit or loss	8	9	36	23

B6 TAXATION

	Quarter Ended		Year-To-Date Ended	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Current tax:				
- Current year provision	(401)	(11)	(2,719)	(2,663)
- Over provision in prior years	36	493	905	452
	<u>(365)</u>	<u>482</u>	<u>(1,814)</u>	<u>(2,211)</u>
Deferred tax:				
- Current year provision	(3,752)	(723)	(3,780)	(723)
- Under provision in prior years	-	-	-	-
	<u>(3,752)</u>	<u>(723)</u>	<u>(3,780)</u>	<u>(723)</u>
Total Taxation	<u>(4,117)</u>	<u>(241)</u>	<u>(5,594)</u>	<u>(2,934)</u>

The effective tax rate of the Group for the current quarter under review was lower than the statutory tax rate of 24% mainly due to one of the subsidiary company has been granted second five year tax exemption for MSC qualifying activities under pioneer status pursuant to the Promotion of Investments Act, 1986 in Malaysia. However, the tax exemption for MSC is expected to end on May 2024. Therefore, the Group have thus recognise the deferred tax liabilities in the current quarter.

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B7 MARKETABLE SECURITIES

	As At	As At
	31 Dec 2023	31 Dec 2022
	RM'000	RM'000
Quoted unit trusts in Malaysia*	<u>61,389</u>	<u>59,371</u>

Note * : These relate to quoted Islamic unit trusts, which are exempted from corporate tax and have the flexibility of withdrawal.

B8 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risk as at the date of this announcement applicable to the Group.

B9 MATERIAL LITIGATION

On 31 March 2021, N2N Connect Berhad and a few of its subsidiaries (collectively referred to as "Plaintiffs") filed a civil suit at the High Court of Malaya at Kuala Lumpur ("High Court") against Chua Tiong Hoong, Ahmad Ashraf bin Azman, Shyam Sundar Rayudu, Wong Voon Fui, Finevo Technology Sdn Bhd and AK Partner Hybrid Connect Sdn Bhd (collectively referred to as "Defendants") inter alia for breach of N2N's intellectual property rights, including but not limited to the copyright and trade secrets in the source codes and marketing materials; breach of fiduciary duties and breach of confidence.

On 2 April 2021, the Plaintiffs obtained an Anton Piller Order ("Order" or "APO") from the High Court. The Order allows the Plaintiffs, subject to the terms and conditions of the Order, to enter the Defendants' premises to inspect, take possession of documents, records or other items, which may form evidence in an action against the Defendants.

On 22 October 2021, the Defendants filed their appeals in the Court of Appeal against the High Court's dismissal of their applications to set aside the APO on 24 September 2021. The Court of Appeal had on 6 July 2023 allowed the Defendants' appeals and set aside the APO.

Following the decision of the Court of Appeal, the Plaintiffs had on 14 July 2023 filed the Notices of Motion for Leave to Appeal to the Federal Court. The Federal Court ("FC") had on 7 December 2023 granted the Plaintiffs' Motions for Leave to Appeal. On 18.12.2023 the Plaintiffs filed their Notices of Appeal to the Federal Court. The Hearing of the Federal Court Appeals is fixed on 29th April 2024.

The Court of Appeal had on 26 September 2023 granted the Plaintiffs' the stay of the Court of Appeal decision pending the disposal of the Federal Court Appeals.

On 25 July 2023, the Plaintiffs have filed an application for discovery in the High Court against the Defendants to obtain documents from Defendants to be used as evidence during the Trial. On 8.12.2023, the High Court dismissed the Plaintiffs' Discovery Application ("Encl. 423"). On 4.1.2024, the Plaintiffs filed a Notice of Appeal to the Court of Appeal against the dismissal of Encl. 423.

On 2 August 2023, the Plaintiffs also filed an application for stay of the High Court's proceedings pending the disposal of the Plaintiffs' FC Leave Applications and /or the hearing of the Federal Court Appeals. On 19.1.2024, the High Court dismissed the Plaintiffs' Application for stay of proceedings pending the disposal of the Federal Court Appeals("Encl. 427"). On 29.1.2024, the Plaintiffs filed a Notice of Appeal to the Court of Appeal against the dismissal of Encl. 427.

In the meantime, the High Court has fixed new dates for trial of the main suit from 2nd to 10th May 2024.

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B10 PROPOSED DIVIDENDS

The Company has proposed for a second interim dividend of 1 sen per share (Single Tier Dividend) amounting to RM5,582,042 in respect of the financial year ended 31 December 2023 to be paid on 29 March 2024.

B11 EARNINGS PER SHARE ("EPS")

	Quarter Ended		Year-To-Date Ended	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
(a) Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	1,921	6,536	14,057	17,628
Weighted average number of ordinary shares in issue ('000)	558,204	558,204	558,204	558,204
Basic EPS (sen)	0.34	1.17	2.52	3.16
(b) Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	1,921	6,536	14,057	17,628
Weighted average number of ordinary shares in issue ('000)	558,204	558,204	558,204	558,204
Assumed exercise of Warrants at no consideration ('000)	-*	-*	-*	-*
Assumed exercise of LTIP at no consideration ('000)	-*	-*	-*	-*
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	558,204	558,204	558,204	558,204
Diluted EPS (sen)	0.34	1.17	2.52	3.16

* No warrants and LTIP are assumed to be exercised at no consideration as the average fair value of the Company's quoted share price during the financial period is below the exercise price of the warrants.

B12 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED AT THE LATEST PRACTICABLE DATE WHICH MUST NOT BE EARLIER THAN 7 DAYS FROM THE DATE OF ISSUE OF THE QUARTERLY REPORT

The Group had on 26 June 2020 announced the proposal in relation to the undertaking of the transfer of listing of and quotation for the entire issued share capital and the outstanding warrants 2019/2024 from ACE Market to the Main Market of Bursa Securities.

On 3 March 2023, the Group has decided to withdraw its application in relation to the proposed transfer after taking into consideration the continuing market volatility amid the expectation of softening in global growth. Nonetheless, it is the intention of the Group to relook on the proposed transfer in the future.

B13 AUTHORISATION FOR ISSUE

The unaudited condensed consolidated financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 26 February 2024.

By Order of the Board

Tiang Boon Hwa
Managing Director

Date : 26 February 2024